

Message Text

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ACTION ARA-10

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 1420

C O N F I D E N T I A L CARACAS 0043

E.O. 11652: GDS

TAGS: ENRG, PFOR, VE

SUBJECT: OIL NATIONALIZATION - NO OFFTAKE OR SERVICE CONTRACTS

YET SIGNED

REF: CARACAS 13558

1. PRESIDENT CARLOS ANDRES PEREZ FUDGED CONCERNING THE SIGNING OF THE TECHNICAL SERVICE AND OFFTAKE CONTRACTS IN HIS NEW YEAR'S DAY SPEECH AT CABIMAS, IE "...SE HAN CELEBRADO DOS TIPOS DE CONVENIOS.." AS OF THE CLOSE OF BUSINESS ON JANUARY 2, THE CONTRACTS REMAIN UNSIGNED.

2. PROBLEMS WITH THE COMPENSATION BONDS ARE NOW OCCUPYING THE ATTENTION OF THE COMPANIES. ON JANUARY 1, THE FIRMS APPEARED AT THE CENTRAL BANK IN ALPHABETICAL ORDER TO RECEIVE THEIR CERTIFICATES, OR ACTUAL BONDS. (IT TURNED OUT THAT SEVERAL COMPANIES, INCLUDING AMOCO, HAS NOT ASSIGNED THEIR BONDS TO OVERSEAS AFFILIATES, AND THUS RECEIVED THE ACTUAL BONDS RATHER THAN REDEEMABLE CERTIFICATES MENTIONED IN THE REFTEL.)

3. AT THE MOMENT OF RECEIVING THE BONDS, THE COMPANIES DISCOVERED THAT THE CENTRAL BANK WAS APPARENTLY UNAWARE THAT THE COMPANIES HAD AN UNDERSTANDING WITH THE MINES MINISTER THAT THEY COULD

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REPLACE THEIR CASH DEPOSITS IN THE GUARANTEE FUND WITH COMPENSATION

BONDS. THE MID-LEVEL MINES MINISTRY OFFICIAL PRESENT AT THE MEETING SAID HE WAS UNAWARE OF THE UNDERSTANDING. THE COMPANIES THEN SIGNED AN ACTA TO RECEIVE THE BONDS, OR CERTIFICATES, UNDER PROTEST. SEVERAL COMPANIES HAVE ADDRESSED A PROTEST LETTER TO THE MINISTER OF FINANCE, AND PLAN TO WRITE A LETTER TO THE MINISTER OF MINES TO REMIND HIM OF WHAT THEY CONSIDER HIS MORAL COMMITMENT TO REPLACE THEIR CASH PAYMENTS TO THE GUARANTEE FUND WITH BONDS.

4. EXXON AND SHELL REPORTEDLY DO NOT CONSIDER THIS A MAJOR PROBLEM, BUT RATHER A BUREAUCRATIC MIXUP WHICH WILL BE STRAIGHTENED OUT NEXT WEEK. SINCE THE MINISTER TOLD ALL OIL COMPANIES THE SAME THING, AND SOME EVEN HAVE A SIDE LETTER TO THEIR COMPENSATION AGREEMENT INITIALED BY THE MINISTER AGREEING TO THE CASH REPLACEMENT, THE TWO MAJOR COMPANIES MAY BE CORRECT IN THEIR ASSESSMENT.

5. COMMENT: THE FINANCE MINISTRY AND CENTRAL BANK HAVE TRADITIONALLY BEEN MORE DIFFICULT IN THEIR DEALINGS WITH THE OIL COMPANIES THAN HAS THE MINES MINISTRY. SINCE NEGOTIATIONS WERE CONDUCTED WITH THE OIL COMPANIES BY MINES MINISTRY OFFICIALS RATHER THAN FINANCE MINISTRY, THIS HAS ALL THE APPEARANCES OF LACK OF CONSULTATION AND AGREEMENT WITHIN THE GOV RATHER THAN HERNANDEZ GOING BACK ON A PROMISE. END COMMENT.
SHLAUDEMAM

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